

Message Text

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ACTION EA-14

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FM AMCONSUL SYDNEY

TO AMEMBASSY CANBERRA

INFO SECSTATE WASHDC 4827

AMCONSUL MELBOURNE

AMCONSUL BRISBANE

AMCONSUL PERTH

UNCLAS SYDNEY 2121

E.O. 11652: N/A

TAGS: PINT, ECON, AS

SUBJ: WHITLAM SPEECH BEFORE N.S.W. CHAMBER OF MANUFACTURERS

1. SUMMARY: APPEARING AS A GUEST SPEAKER BEFORE THE ANNUAL DINNER OF THE NEW SOUTH WALES CHAMBER OF MANUFACTURERS ON AUGUST 30, PRIME MIN WHITLAM MET HEAD-ON MANY ISSUES INDUSTRIALISTS HAVE ON THEIR MINDS. IN SO DOING, AND BY VIRTUE OF HIS MANNER OF EASY CONFIDENCE AND WIT, HE MANAGED TO CHARM HIS CONSERVATIVE BUSINESS AUDIENCE ALTHOUGH SOME OF HIS BOLD STATEMENTS RAN 100 PERCENT CONTRARY TO ATTITUDES OF MUCH OF HIS AUDIENCE. MAIN POINTS: THE ECONOMY IS THRIVING, NO EARLY PRICE-WAGE FREEZE IS IN THE OFFING, BUSINESSMEN SHOULD BE CONFIDENT AND LOOK TO GOVERNMENT SPENDING PROGRAMS AS AREAS OF FUTURE GROWTH. END SUMMARY.

2. TAKING THE STRATEGY THAT THE BEST DEFENSE IS A GOOD OFFENSE, THE PM STRUCK OUT BOLDLY AT HIS CONSERVATIVE AUDIENCE WITH A SPEECH IN DEFENSE OF HIS LABOR GOVERNMENT POLICIES. WHILE ADMITTING TO ONLY AN 8 1/2 PERCENT CURRENT INFLATIONARY RATE, HE ATTRIBUTED

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40 PERCENT OF THE INCREASE IN THE CONSUMER PRICE INDEX SINCE

LAST DECEMBER TO INCREASES IN PRICE OF MEAT, WHICH IN TURN WERE CAUSED BY DEMAND AND, HE CLAIMED, PRICE CONTROLS WOULD NOT HAVE HELPED MUCH. HE THUS DOWNPLAYED INFLATION AND CONCENTRATED ON THE BUOYANCY OF THE ECONOMY. DISMISSING THE EFFICACY OF PRICE CONTROLS WHICH HE PORTRAYED AS CONSTITUTIONALLY IMPRACTICAL ON A FEDERAL SCALE, HE PLAYED UP THE THEME THAT THE LABOR GOVERNMENT WAS THE FIRST FREE ENTERPRISE GOVERNMENT IN 23 YEARS. THE GOVERNMENT, HE SAID, WOULD RESORT TO A PRICE AND INCOMES POLICY ONLY AS A LAST RESORT, AND IS NOT CONTEMPLATING ANY DAMPENING MEASURES ON THE INFLATIONARY FRONT. FLINGING A CHALLENGE TO DOMESTIC MANUFACTURERS, HE STATED ONE OF THE MOST SATISFYING MOVES IN HIS TERM OF OFFICE SO FAR WAS THE ACROSS-THE-BOARD TARRIFF CUT OF 25 PERCENT, AND STRONGLY DEFENDED THIS ACT AS A MEASURE TO MAKE AUSTRALIAN INDUSTRIES MORE COMPETITIVE ON WORLD MARKETS.

3. TURNING TO THE RECENT NERVOUSNESS IN THE STOCK MARKET, WHITLAM PLAYED DOWN THE INFLATIONARY RISKS AND EXUDED CONFIDENCE IN THE FUTURE, OBSERVING THAT BY NOW THE GOVERNMENTS POLICY SHOULD BE CLEAR TO EVERYONE. BASED ON THESE POLICIES, WHICH CALL FOR PUBLIC SPENDING TO SUPPORT SOCIAL REFORM IN HOUSING, SCHOOLS, URBAN DEVELOPMENT AND TRANSPORT, HE ADVISED BUSINESSMEN TO LOOK TO THESE AREAS FOR GROWTH.

4. COMMENT: AS THE BUSINESS PRESS HAS NOT FAILED TO POINT OUT, THE PM AVOIDED TOUCHING ON MONETARY POLICY AS AN INSTRUMENT TO CONTROL INFLATION. NEVERTHELESS, HIS BUOYANT APPROACH STRUCK A RESPONSIVE CORD. IN HIS RESPONSE, THE PRESIDENT OF THE CHAMBER REMARKED ONLY UPON THE INTELLIGENT EXPOSITION GIVEN BY THE P.M. ON PROBLEMS FACING THE ECONOMY. MOREOVER, THE REACTION OF BUSINESSMEN INTERVIEWED BY CONGEN OFFICER FOLLOWING SPEECH WAS MILD INDEED, CONSIDERING THE FORTHRIGHT REMARKS ABOUT THEIR LACK OF COMPETITIVENESS. CONSENSUS WAS A "WAIT AND SEE" ATTITUDE, BUT NOT ONE OF ALARM AT UNCLASSIFIED

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THE PM WHO, IN THE SAME BREATH, MANAGED TO CHARACTERIZE HIMSELF NOT ONLY AS A LEADER OF SOCIAL REFORM WHICH WILL COST BUSINESS SOMETHING, BUT AS A CHAMPION OF FREE ENTERPRISE AS WELL. HEIKENEN

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